

Public- Private Partnership: Prospects for Nigerian Economic Development

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Abstract

Public private partnership has taken its root in Nigeria. This is caused by government's lack of funding and the inefficient delivery as well as maintenance of existing infrastructures. The government alone cannot satisfy the infrastructural needs of its citizens hence, the need for a partnership between the government and the private sector with a view of combining resources to provide the infrastructure needed for the social and economic development of the country. This paper examines the challenges militating against Public Private Partnership (PPP) in Nigeria and the underlying prospects of PPP for economic development. The paper recommends that stakeholders in PPP should be adequately trained and a well-functioning regulatory framework put in place.

Keywords: *PPP, Economic Development, Infrastructural Development, Regulatory Framework*

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Background to the Study

According to the National Council for Public-Private Partnerships (2012), a public private partnership is defined as a contractual agreement between a public agency (federal, state or local) and a personal sector entity. Through this agreement, the talents and assets of every sector are shared in delivering a service or facility for the utilization of the overall public. Additionally, to the sharing of resources, each party shares within the risks and rewards potential within the delivery of the service and/or facility.

Public Private Partnership also can be described as an agreement between governments and personal sector firms for the supply of public infrastructure, facilities and services. It's a contractual arrangement between public and personal sector partners which needs the private sector to take a position within the development, financing, ownership, and operation of a utility or service and responsibilities shared in order that the partners' efforts are complementary. The private partner may contribute substantial cash or equity within the project and therefore the public sector may also contribute but ultimately gains access to new revenue or service delivery capacity.

Public private partnership was established by the government of Nigeria to ensure synergy among the private sector and the public sector on key developmental projects, so as to breed trusts among project owners and project executors and also reduce the cost of project delivery. PPP involves a contract between a public sector authority and a private party, during which the private party provides public services or project and assumes substantial financial, technical and operational risk in the project (Khanom, 2010).

It is a fundamental fact that the provision of public services and infrastructure has always been the exclusive responsibility of the government, but with the increasing population density, rural-urban migration and other developmental needs, there is massive pressure on existing infrastructural facilities and a corresponding increment in building and maintenance cost. According to Jones (2002), Public-private partnership (PPP) came into being as a result of the continued budgetary constraints faced by different governments and the exhaustion of opportunities for outright privatization of public infrastructure. This has prompted the Nigerian government into employing public private partnership as a tool for the development of infrastructure in the country.

One of the major challenges of economic development in Nigeria is poor quality of infrastructure development in the country. The adequacy of infrastructure helps to determine the success of one nation from another in the areas of production diversification and trade expansion. Infrastructure development and its associated services are essential in the efficacy of contemporary economy growth and development. Infrastructure development is critical to the delivery of essential goods and services that meaningfully improve the nation's productivity and economic competitiveness. Therefore, government judgments concerning the delivery and distribution of infrastructure have an influence on national advancement and capacity for economic development.

Although, Public- Private Partnership (PPP) has helped enormously in the accomplishment of several vital infrastructure developments in both develop and developing nations, there exist persistent challenges of the infrastructural deficit that impede economic development in Nigeria. According to Osborn (2012), public-private partnership is a predetermined treaty that offers a non-governmental actor the duties to deliver certain facilities or services originally delivered by government agencies, such as federal, state, or local government agencies. Recently in most developing nations, it has been observed that the government alone does not have the capacity to put requisite resources to deliver on her infrastructural deficit; therefore, the participation of the non-governmental segment becomes necessary. The inability of the Nigeria government alone to effectively redress the numerous critical capital-intensive infrastructural projects and sustain them adequately has been the bane of economic growth and development in Nigeria (Ofobruku and Nwakoby, 2015).

In spite of the rapid adoption of PPPs to improve infrastructure development in Nigeria, there are several issues in infrastructure including poor and insufficient housing, epileptic power supply, inadequate healthcare facilities, dwindling resources, and deteriorating transport sector that have posed serious challenges to economic development in many transitional countries such as Nigeria. The standard conditions in infrastructure have given impetus to private sector participation- other impediments/challenges to the country include economic downturn arising from reduced oil revenue and mismanagement of resources, and population growth. Therefore, any developing nation, that anticipates an enhanced economic growth need to adopt PPP for the funding of infrastructural development in the county. A wide gap exists in meeting the public needs of the citizens of Nigeria and this is caused by the shortage of public funds which impedes sustainable economic development. It is against this background; therefore, this study examines the challenges militating against Public Private Partnership (PPP) in Nigeria and the underlying prospects of PPP for economic development.

Literature Review and Theoretical Framework

The Concept of Public Private Partnership (PPPs)

Public private partnership is an economic strategy employed by most national governments to avoid the forward capital payment of expenditure for infrastructure and to harness private-sector efficiencies, while the private-sector partners' benefits better a return on investment on public infrastructure (Barlow et al., 2013). The role of PPPs investment and its efficient utilization vary from region to regions and nation to nations; they depend on several factors such as, macroeconomic policies, economic incentives, well defined property right, sound judicial system, sound financial system, policy certainty and clarity etc. PPPs is one among the general public finance initiatives and may be a contractual agreement between the general public and therefore the private sectors to share financial, technical and management risks in project development and management (Oluwafemi, 2012).

Theoretical Framework

There exist some theories pertinent to PPPs these are the system theory, theory of collaborative advantage, governance theory, game theory, x-efficiency theory, public choice theory. The system theory is considered for this research as it is being used to explore the

associations existing between the different actors in the PPPs developmental space and to finance infrastructure deficit particularly for developing nations (Liu et al., 2014; Babatunde et al., 2017; 2015). This study explored the systems theory propounded by Von Bertalanffy (1950) who theorizes the complex nature of society and science. A system is made up of an interrelated and interdependent conglomeration of different parts that are either natural or man-made. Domiciling the mechanism of systems theory within the business setup in a nation, Okoye (1997); Oriarewo et al. (2019) further avowed that organisations in a nation depict a complete system that has interconnected fragments with a single objective. This being the case, any flaw in one segment will absolutely upset the whole system. Examining further, Okoye indicate the problem and how the subsystems objectives must be compromised in order to achieve the overall nations' objectives of the entire organisations.

The Nigeria Federal Government inaugurated the infrastructure concession Regulatory commission (ICRC) in late 2008 to drive the program. The ICRC Act 2005 and the public procurement Act 2007, has the overwhelming objective of the PPP policy is to ensure that Nigeria has the requisite infrastructure that meets the needs of a modern economy in the 21st century (National policy on public private partnership, 2008).

The Advantages of Public Private Partnership (PPPs)

According to Dulaimi (2010), the idea of the private sectors being involved in the provision of basic infrastructures has been identified as an important approach for the government of many countries. Garvin (2009) defined PPP as the contractual arrangement where the private sector participates in infrastructural development services that could have been provided by the government. A wide range of projects like hospitals, schools, roads, bridges, prisons, and lightweight rail, water and sewage plants might be implemented using the PPP models. Shen (2006) explained that there's a worldwide trend towards PPP's in providing infrastructural development aimed toward generating greater efficiencies and synergies, increased revenues and reduced debts, open doors for foreign investors, enhanced market opportunities and increase in competition.

Bamgbelu (2004) described the benefits of PPP to stakeholders as follows: Value for Money: it was imagined that the private sector novelty of combining all construction phases will eventually gain synergies. Current proof recommend that this is actually happening on contracts established under the costs of operation, improved level of services and the benefits gained from the transfer of risks to the private sector.

Innovation and Spread of Best Practice: modernization of the private sector is one of the foremost factors of the development of the PPP scheme as the government has come to realize that proficiency and skill does not exist within the sector.

Flexibility: PPP's have the integral flexibility to be established successfully to different types of infrastructure, and the theory that strengthens PPP can be adapted to many circumstances (Robinson et al, 2011).

The Regulatory and Political Context of Public Private Partnership (PPPs)

The principles of governance are examined to show how it affects processes, decision-makers and the general population of the country. Robinson et al. (2011) explained that the laws governing PPP Projects includes the agendas for controlling, managing and influencing the deployment of financial, staff and physical resources in an effective and fiscal affordable way. These laws and regulations are bound to protect processes such as;

1. Value for money, financial accountability processes
2. Appraisal and evaluation process

The above factors will aid the private sector to envisage the project's profitability and make a decision whether the contract is valuable to bid. Clive (2003) is of the view that if the legal and judicial environment isn't well classified, investors and project participants will see the project as volatile and very risky and run away.

Hayford (2004) explained that in PPP policies and guidance materials, there are some common principles binding them and are listed as follows:

1. Private Sector Confidence: This is an objective of fostering private sector confidence in the ability of government to facilitate PPP projects and properly assess PPP proposals, with a view to encouraging private sector investment by ensuring that enough players are invited for the bidding process especially for smaller social infrastructure projects.
2. Safeguarding the Public and Stakeholders Interest: The Public and Stakeholders are interested in their security whereby their interest is protected and this is done by measuring PPP proposals against public interest criteria relating to efficiency, accountability, fairness, public admittance, end user rights, security, confidentiality and right of representation and appeal at the planning stages by affected individuals and the project host communities.
3. Competitive Tendering and Probity: There should be assurance that the project will be subject to a tendering process that will be competitive with probity and fairness maintained in the procedure.

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Challenges of PPP in Nigeria

Adebanjo and Mann (2000) explained that no matter its enormous advantages, the concept of public-private partnership concept is on the rise , and a report by Jamali (2004) has also listed the following reasons why PPP Projects in many countries aren't successful:

1. Lack of government commitment
2. Poor risk management policies
3. Poor banking policies and unavailability of loans
4. Poorly drafted regulatory and legal framework
5. Inadequate mechanism to attract foreign investors and the local private sector participants.
6. Lack of transparency and competition

Mittal and Kalampukah (2009) listed the subsequent points as partnership challenges:

1. Conflict of interest of partner organizations
2. Diversity of underlying goals among partner organizations
3. Insurance of power balance
4. Communication barriers among partner organizations
5. Difficulty in resource commitment
6. Ambiguous definition of contracts and agreements

Also Edwards (2010) explained that PPP projects are faced with challenges just like the following:

1. High upfront cost
2. High procurement cost
3. Inadequate expert knowledge
4. Citizenry rejection and public opposition

Mittal and Kalampukah (2009) suggested the subsequent measures to beat the challenges in PPP infrastructure projects:

1. Establishment of open and informal communication channel amongst partner organizations
2. Clear definition of project charter
3. Develop an exhausting risk management sharing plan & proper definition of roles and responsibilities
4. Ensure proper commitment of resources by partners.

Conclusion

Based on findings of the study, there is no denying the fact that Nigeria slow development is largely on consequence of its underdeveloped infrastructure, bridging the gap should therefore, be a top priority of the Nigerian government. Measures such as improved business environment, well-functioning regulatory framework and more efficient public sector will be crucial to the achievement of the gains of PPP.

Recommendations

To address the pertinent challenges of PPP in Nigeria, the following recommendations are made:

1. Public Private Partnership (PPPs) projects should be promoted at all levels of government
2. There should be transparent evaluation mechanism in the delivery and maintenance of PPP programme
3. A well-functioning regulatory framework and more efficient public sector should be put in place.

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